

# NEW HAMPSHIRE STATE LIQUOR COMMISSION

## MINUTES OF MEETING – JUNE 2, 2004

**PRESENT:** Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses.

**EXCUSED:** Chairman Anthony Maiola

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The SA1000 report for the week ending 5/30/04 show retail sales were up 36.5%, off-premise sales were up 25.3%, off-premise sales were up a little over 40.7%, and total aggregate sales were up around 36.2%.

The W-1 Total Weekly Sales report for the same week confirms total sales for the weekly comparison increased by 36.2% or \$2,237,142, and also increased for the year by about 7.5% or \$23,811,431. Wine sales were also up almost 36.6% or \$1,000,429, as they were by 7.4% or \$10,921,072 for the year. Sales of spirits increased by over 35.9% or \$1,236,713, as they did year-to-date by 7.6% or \$12,890,559. Because Memorial Day was late this year, planned revenues were about \$500,000 short. However, this amount will be recouped during this first week in June. Beer revenues were on target.

There was nothing of significance to report regarding outstanding depletions and post-offs over the past week.

There was also nothing significant to report regarding gift card sales.

Craig will attend the Governor and Council meeting this morning. The Commission has two agenda items, one for a bank for the new Seabrook store, and the other a contract with Interstate Electric services for alarm and fire system repairs at the stores.

Craig was happy to report that the Employee Campaign for United Way has been completed internally. This year's pledges came to about \$6,900 versus last year's at \$5,900 for a \$1,000 increase. A pancake breakfast for

contributors will take place this Friday. In addition, there will be a drawing for one lucky person to win the services of a Bureau Chief for the day.

The ACR amendment will be hand carried over to Administrative Services today and will, hopefully, be on the June 26<sup>th</sup> Governor and Council agenda.

There is a Bureau Chiefs' meeting scheduled for today at 10:30 a.m. in the downstairs conference room. There is also a promotion card meeting with Anne Jordan from Paymentech today at 1:30 p.m.

The latest W-6 Expense Budget Activity Report shows the year to be at around 90.4% expended, with total agency expenditures at about 86%. George is optimistic that the budget will make it to year-end. Money has been moved from some accounts into others that need it.

The Attorney General's Office has approved the new American Express contract, along with contracts for septic and Johnson Controls. The American Express contract will save the Liquor Commission at least \$10,000 each year going forward as a result of this new contract. In addition, it will also allow all other state agencies to share in the reduced rate for processing American Express credit card transactions.

When Craig asked Purchase & Property management to cut down some dead trees on Commission property, he was informed that they no longer have the personnel or money to provide this service or to cut the lawn. The Commission will have to purchase their own mower and use their workers to perform outdoor tasks.

Evie reported that the warehouse was toured last week with representatives from Liberty Mutual and Risk Management, and that some interesting observations would be included in the report. Evie also asked Liberty Mutual to review some very old workers' compensation claims; they will get back to her if there is anything that can be done.

2. IT Report

Besides approval for the ACR amendment, programming for the Dolphin software was also approved last Friday.

An RF test is being conducting for wireless laptops. IT is working with Cysco personnel to get this program available in the Weirs area during Motorcycle Week. This will hopefully make it easier for Enforcement to produce their reports.

Howard said IT personnel have been working diligently on promotion depletions, and that full ramifications were not brought to their attention until last Monday.

Mike Gocłowski reported that either this Friday or next Friday the AS400 mainframe at Law Warehouse will be taken down, resulting in interruption of activities for a couple of hours.

## **II. MARKETING & SALES REPORTS**

### **1. Store Operations:**

Total store sales for the week ending 5/30/04 increased by 35.53% or \$1,723,605.60. The only two stores with decreased sales were #67 Hooksett and #73 Hampton, both southbound highway stores. The new Seabrook store was in the 69<sup>th</sup> spot for the week.

The “Ride the Wave to Savings” promotion has begun in the stores.

Peter reported that both Class 18 Overtime and Class 50 Personal Services – Temporary for stores are holding up well.

Regarding the new Bedford location, Peter has been corresponding with Suzan Lehmann via e-mail. She has not contacted the Hannaford attorney yet due to other priorities.

Commissioner Russell informed everyone that the lease for the Keene store has finally been signed. Tomorrow the Keene City Council will vote on the flood planning situation. Building design will also have to go out to bid. The  $\frac{3}{4}$  acre location will have to be surcharged for a period of 30 days. Building should then begin around August 1<sup>st</sup> and should be finished in November.

### **2. Purchasing Report**

John Bunnell said feedback from the NABCA Directors’ Meeting last week indicates business is healthy with a lot of new products to be introduced.

As for out-of-stocks, John reported that everything was in very good shape going into Memorial Day, and stores are now being replenished.

### **3. Merchandising Report**

#### **1) Test Market Products:**

- a. Test Market Request (Ron Matusalem Classico Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company/Skyy Spirits for a new test market listing for Ron Matusalem Classico Rum, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Request (Stolichnaya Persik & Strawberi):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA for new test market listings for Stolichnaya Persik Vodka, 750ML size (assigned four-digit Code #3616) and Stolichnaya Strawberi Vodka, 750ML size (assigned four-digit Code #3673) as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. Test Market Request (Smirnoff Watermelon Twist Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for a new test market listing for Smirnoff Watermelon Twist Vodka, 750ML size (assigned four-digit Code #3871), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. Test Market Request (Buchanan's 12-Yr. Deluxe Scotch):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Schieffelin & Somerset for a new test market listing for Buchanan's 12-Year Old Deluxe Scotch Whisky, 750ML size (assigned four-digit Code #2178), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. Test Market Request (Chinaco Blanco Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United

Beverages, Inc./Future Brands LLC for a new test market listing for Chinaco Blanco Tequila, 750ML size (assigned four-digit Code #8148), to be carried in Cluster 1, 2 and 3 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Request (3 Arrow Schnapps):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./David Sherman Corporation for new test market listings for Arrow Butterscotch Schnapps, 750ML size (assigned four-digit Code #5300), Arrow Cinnamon Schnapps, 750ML size (assigned four-digit Code #5303), and Arrow Raspberry Schnapps, 750ML size (assigned four-digit Code #5349), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. Test Market Results (Codes #5603, #5604 & #5605):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve specialty listings for Code #5603, Remy Red Berry and Code #5604, Remy Strawberry Kiwi, 750ML sizes, as each has earned the gross profit required for consideration for specialty status at the conclusion of a six-month test market period, and the delisting of Code #5605, Remy Grape Berry, 750ML size, which failed to earn both the gross profit required for full distribution and consideration for specialty status at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. Test Market Results (Codes #5222, #5252 & #3551):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #5222, Ice Box Appeltini, 1.75L size, Code #5252, Ice Box Cosmopolitan, 1.75L size and Code #3551, Ketel One Vodka, 375ML size, as each failed to earn both the gross profit required for full distribution and consideration for specialty listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing

Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension Requests:

a. Johnnie Walker Gold, 200ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Schieffelin & Somerset for an added size listing for Johnnie Walker Gold, 200ML size (assigned four-digit Code #2759), as this brand in the 750ML size has exceeded the gross profit required for a line extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Johnnie Walker Blue, 200ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Schieffelin & Somerset for an added size listing for Johnnie Walker Blue, 200ML size (assigned four-digit Code #2764), as this brand in the 750ML size has exceeded the gross profit required for a line extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for July 2004 (3 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions, without matching state funds, of three (3) spirit items, to be featured on sale during July 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Appeals (5 codes):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny appeals regarding five (5) spirit codes which were delisted by the Commission on May 12, 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Captain Morgan in Store Appearance:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America to conduct in-store appearances with Captain Morgan during June, July and August from 4:00 p.m. to 6:00 p.m. at Stores #66 Hooksett, #56 Gilford, #73 and #76 Hampton, #38 Portsmouth, #69 Nashua and #60 West Lebanon, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

Nicole announced that the wine tasting, "Rise for Baby and Family", will be held at the Keene Country Club tonight. Commissioner Russell, John Bunnell, Peter Engel and Nicole will attend.

1) Proposed Wine Sale for September 2004:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of all 750ML size French wines on sale at 10% off the sale of 6-8 bottles, 15% off the sale of 9-11 bottles and 20% off the sale of 12 or more bottles from August 30 through September 26, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) New Wine Product Listings:

a. Full Distribution (Code #38457):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution of Code #38457, Pinot Noir Smoking Loon California, 750ML size, to be made available for all stores to order if needed, as this item has earned a gross profit of at least \$6,500.00 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Full Distribution (Code #37604):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution of Code

#37604, Chardonnay Hardy's Australia, 3L/3 pak, to be made available for all stores to order if needed, as this item has earned a gross profit of at least \$6,500.00 during a twelve-month period, the majority of which has been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for July 2004:

a. 1 item – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from Pine State Trading Company/E & J Gallo Winery, based upon depletions of one (1) wine code, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of three (3) wine codes, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 161 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of one hundred sixty-one (161) wine codes, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 165 items – United Beverages, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred sixty-five (165)



wine codes, to be featured on sale during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Special Offers for the Summer Sale 2004 (21 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc. featuring twenty-one (21) wine items to be placed on sale during the Summer Sale 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Cluster for Store 28 Seabrook:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of Store #28 Seabrook in Cluster 3 stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted. (Commissioner Byrne commented that, if any change(s) were made in this policy, it (they) should be brought before the Commission for approval.)

6) Close Out Sales:

a. Close Out (4 items – Pine State Trading Co.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve price reductions for close-out sale for four (4) wine codes submitted by Pine State Trading Company, including a floor stock adjustment, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

b. Close Out (36 items – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve price reductions for close-out sale for thirty-six (36) wine codes submitted by United Beverages, Inc., including a floor stock adjustment, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

c. Close Out Pricing (Code #31819):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a price reduction for close-out sale for Code #31819, Quail Ridge Merlot Napa, 750ML size, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

d. Martignetti Close Outs (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve price reductions for close-out sale for two (2) wine codes submitted by Martignetti Companies of N.H., as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

Chairman Byrne asked Nicole for a gross profit analysis on the last close out sale to determine if the 15% margin will continue to hold up.

7) Concannon Purchase:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an offer from Horizon Beverage Company/The Wine Group of a special purchase on three (3) Concannon wines during July 2004, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

8) Recommended Wine Specialty Products (29 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the designation of twenty-nine (29) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

9) Not Recommended – Wine Specialty (8 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny the designation of eight (8) wine codes as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

10) Recommended Allocated Wines for Distribution to Selected Stores (17 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seventeen (17) allocated wines for distribution

to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

11) “R” Wines for Allocation to Licensees and Retail Distribution (5 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve five (5) “R” wine codes for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

12) Primary Source Submissions (12 items – primary source; 13 items – exclusive agent; 31 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of twelve (12) wine codes which are from primary source, thirteen (13) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and thirty-one (31) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Nicole reported that the 2001 Bordeaux roll-out has begun, and product has started coming into Law Warehouse. All product has been received from Martignetti, most has been received from Diageo, and Connoisseur has yet to come in. She has been receiving correspondence from consumers asking when the 2001 vintage will be released. Nicole would like to hold three events on June 24<sup>th</sup> at Stores #23 Conway, #60 West Lebanon, #25 Stratham and #69 Nashua.

### **III. ENFORCEMENT & LICENSING REPORT**

Enforcement will be meeting with the local law enforcement this week to discuss Motorcycle Week. No major problems are expected to occur.

The “Buyer Beware” materials have been approved and the invoice turned over to George Tsiopras for payment. This program focuses on siblings, which are the major source of providing alcoholic beverages to minors.

### **IV. CHAIRMAN’S REPORT & LATE ITEMS**

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment

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releases/transfers dated May 21, 2004 through June 2, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.
3. Late Items:
  - a. Jack Daniels Promotional Event:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Brown-Forman Corporation to utilize Store #42 Meredith as a remote radio site on Wednesday, June 16, 2004 from 2:00 p.m. to 6:00 p.m. in conjunction with the promotion of Jack Daniels during Motorcycle Week, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner

/D. Hartford